POLICY BRIEFING 103

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'Good Citizens': Corporate Social Responsibility in Africa

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RECOMMENDATIONS

- CSR is only possible with a strong business community to undertake it. CSR should be promoted through a focus on sustainability, backed by a sound regulatory environment that enhances business profitability.
- Increased dialogue and better relationships between business, government and the various stakeholders are imperative. Businesses need to understand the nature of CSR demands, while other players must understand businesses' constraints. To this end, strong, independent business chambers and institutes of directors are necessary.
- Business organisations should encourage CSR at all levels, and popularise the business case for integrated CSR planning. The substance of CSR, rather than its appearance, must be emphasised.
- Beyond the demands of the law, CSR must be recognised as being fundamentally voluntary. Mandatory demands for percentage-based CSI, or for contributions to particular causes to the exclusion of others, will impose burdens on companies that they may find difficult to shoulder.
- Official recognition of CSR and CSI (eg, through tax incentives) should be wide-ranging, allowing latitude for companies to undertake activities that suit their resources, skills and concerns.

EXECUTIVE SUMMARY

Corporate social responsibility (CSR) is a growing consideration for businesses. The Country Review Reports (CRRs) compiled through the African Peer Review Mechanism (APRM) provide a unique lens through which CSR application in Africa can be gauged. Increasingly, thinking on the subject is moving beyond philanthropy to demands for the systemic integration of social concerns into business planning. In Africa, despite advanced thinking on the subject, its application across most of the continent remains in its infancy – ad hoc and of limited effectiveness. The very terms of CSR in Africa are contested: legislated demands are frequently ignored, while debates rage about appropriate business obligations towards workers. Corporate social investment (CSI) is unevenly applied and attracts criticism for failing to address key problems. This policy briefing appeals for greater encouragement of CSR and CSI, recognising its voluntary nature while stressing the advantages of taking a systemic, integrated approach to it.

INTRODUCTION

If it has ever been accepted that the business of business is strictly business, that time has passed. The world over, companies are facing increasing demands that they look beyond their own interests and prioritise those of the societies in which they operate. Accommodating these demands is becoming an unavoidable element of doing business. This carries with it potential costs and possible benefits. How these challenges are managed will have a profound influence on the orientation and conduct of business in the years to come.

CSR has become a popular tagline. In Africa, which is struggling to reconcile economic growth with developmental benefits, this is a growing strategic issue. The expectation on the part of governments and civil society that business should 'give back' is a powerful impulse. As a result, the APRM has shown an interest in CSR initiatives.

This policy briefing emerges from a recent research report on corporate governance, as seen through the APRM CRRs.[2] Looking at the six states of the Southern African Development Community that have undergone review – Lesotho, Mauritius, Mozambique, South Africa, Tanzania and Zambia – it analyses what they reveal about CSR in Africa, and explores the corresponding policy implications.

CSR IN PERSPECTIVE

Beyond a general recognition of 'helping' society, there is little clarity on what precisely CSR entails. In part, this reflects the various approaches that businesses have taken over the years.

Economist and management expert Simon Zadek has suggested understanding CSR in terms of three 'generations'.[3] The first sees CSR as a form of philanthropy, sometimes ad hoc, dealing with social issues. The second involves a greater professionalism and the systematisation of initiatives – targets are set and progress reported, and CSR is integrated into planning. A third would see businesses taking a more active role in partnering with other elements in society to deal with overarching social problems such as poverty and environmental sustainability.

More recent work, such as that by Dr Jolyon Ford of Oxford University, shows the growing appreciation by business in Africa of the importance of business engagement with developmental issues. Development is in the long-term commercial interest of business, and government action alone is unlikely to be a sufficient driver.[4]

The broad direction is clear: CSR is moving beyond seeing the welfare of society as an issue peripheral to business, to viewing it as integral.

The APRM questionnaire, in both its original and revised iterations, frames enquiries about CSR in 'third-generation' terms. The Mauritius CRR provides this definition: 'A strategic business objective where businesses care for, and are more involved in, the communities in which they operate.'[5]

The revised questionnaire presents CSR under the rubric of 'corporate citizenship', a phrase evoking ethical obligations and social relationships. CSR is a branch of a corporate governance philosophy that takes account of the interests and concerns of stakeholders beyond company shareholders. It covers, for example, the ethical treatment of employees, customers and suppliers; environmental stewardship; and engagement with the interests of the community.

This is a broad mandate. Conceptually, it makes sense to distinguish between CSR and CSI. Although these terms are often used interchangeably, CSR can be described as an ethical and strategic approach to doing business, while CSI is a narrower expression. CSI involves spending, typically on causes outside the immediate business purview.

THE AFRICAN CSR EXPERIENCE

A major African contribution to corporate governance thinking has been to entrench considerations of stakeholders' interests in business operations. This is meant to contribute to sustainability, in relation both to companies and to the economies within which they operate. This position has been developed by South Africa's influential King Committee on Corporate Governance and is the operating assumption of the APRM.

From this approach to corporate governance comes an orientation towards CSR. In Zadek's terms, it is a second- if not third-generation approach, assuming business obligations and demanding integrated, systemic responses. In conception, Africa's expectations of CSR are expansive. In practice, although expanding, the uptake of corporate governance and CSR in Africa remains uneven. Companies' obligations to their stakeholders – in other words, excluding CSI – illustrate this well.

In some fields, these obligations have been legislated. However, a running theme throughout the APRM reports is that African states' regulatory systems are inadequately implemented. Thus, the APRM reports note that mandatory labour and environmental requirements are badly enforced and in some cases simply ignored. This suggests that for much of the continent, CSR has barely begun, even in first-generation terms.

CSR extends beyond legal requirements; indeed, the reports demonstrate that the terms of CSR in Africa remain contested. A common invocation around wage levels and working conditions is the notion of 'fairness'. This is simultaneously a prime CSR consideration and an unstable guide to action. While calling for 'fairness', the reports are inconsistent in their treatment of how to achieve this.

For example, Tanzanian workers are described as 'shockingly underpaid' – but the report notes that wage levels must reflect 'productivity, competitiveness and affordability',[6] allowing companies to mature to long-term sustainability. In Zambia, by contrast, the call is unambiguously for higher wages, since 'cheap labour does not necessarily improve the competitiveness of industries as it leads to lower productivity of human power'.[7]

The different approaches adopted by these reports underline the difficulty involved in managing CSR in underdeveloped economies. There are few easy or uncontroversial trade-offs.

Corporate social investment

If CSR functions alongside parameters set by law, CSI tends to be discretionary. It is, in a sense, also easier to identify. Representing some degree of hard spending, it can mean immediate, real-world changes for its beneficiaries. Governments are eager to encourage it.

When discussing CSI, a striking difference is evident between the reports on Lesotho, Mozambique, Tanzania and Zambia on the one hand, and those on South Africa and Mauritius on the other. This is linked to the maturity of the relevant business communities.

In the less developed countries, CSI – and corporate governance as a whole – is a new concept. For the most part it is approached as philanthropy, predominantly undertaken by larger companies that are frequently also foreign investors. To some degree, it serves to market the companies involved or to 'legitimise' their presence. While information is sparse, small businesses appear to be less active in CSI. For the most part, CSI in these economies represents a first-generation understanding.

Unsurprisingly, CSI appears more prominent among businesses in South Africa and Mauritius – generally a second-generation orientation. They provide interesting interpretations of CSI, with both reports suggesting that legislation is the dominant driving force. The Mauritian Finance Act of 2009 compels Mauritian companies to contribute 2% of their profits to approved causes – supporting a non-governmental organisation, running a programme of their own or implementing a programme under the National Empowerment Foundation. As the report notes, business regards it as a tax. The South Africa report links CSI to legislation on black economic empowerment (BEE) and skills development. These attempt to create incentives for particular types of CSI by granting preferential access to contracts to companies engaged in them.

The supposed impact of legislation is, however, overstated. The stress on the influence of BEE in South Africa understates the long history – however imperfect – of CSI in the country. One of the most venerable CSI instruments is the Anglo American Chairman's Fund, in operation since the 1950s. The Urban Foundation, founded by businesspeople in 1976, aimed to improve the 'quality of life' of South Africa's urban black population, while the National Business Initiative, launched in 1995, was intended as a contribution by business to the recently democratised country.

Other research suggests that CSI in these countries is substantively driven by moral concerns. Findings on CSI in South Africa by Trialogue – estimating CSI in South Africa at some ZAR[8] 7.8 billion ($728 million) in 2013 – come to this conclusion,[9] as does an earlier study among small and medium-sized businesses (in the latter case, CSI frequently arose from entrepreneurs' or workers' personal commitment to a social or religious cause).[10] Similarly, a survey of 100 businesses in Mauritius indicated a near universal participation in such activities, and that the main influences – by a considerable distance – on companies' attitudes towards CSI were their values, followed by management's awareness of social needs. The law ranked third as an influence.[11]

CONCLUSION: TOWARDS A 'THIRD-GENERATION' CSR?

Despite the advanced conception of CSR proposed by the APRM, CSR practice in Africa has in general not lived up to it. Experiences of CSR are mixed, with the more developed economies showing wider and more conscientious adoption of CSR than the less developed ones. However, ambivalence about the conduct and impact of CSR is evident across all economies.

In some respects – especially among less developed economies – this is a consequence of the primitive nature of CSR. It does not have a fundamental impact on people's lives and is viewed as an incidental activity, largely geared towards self-promotion. As one senior corporate governance practitioner in Tanzania commented: 'Sometimes it is my opinion that instead of having bad intentions, some of our local corporates would not even know the difference between CSR and marketing.'[12]

In the more developed economies, despite wider and more systematic application of CSR (and considerable expenditures), some stakeholders criticised existing CSR initiatives. In South Africa, for example, they felt CSR did not fundamentally address social problems or foster equitable development.

In all likelihood, businesses in Africa will face growing demands for CSR initiatives in the future, driven by such factors as civic activism, rising information flows, globalisation, environmental concerns, financial market rules, and growing affluence.[13] Successful business strategies will increasingly need to incorporate social concerns – a move towards a 'third-generation' CSR framework. This may be pioneered by the more mature economies, but will become expected among their less developed peers.

While the move towards a 'third-generation' mindset is the goal, small, 'first-generation' activities may be all that is feasible for emerging businesses. They should be encouraged in this, and the impact of localised, community-oriented activities by smaller businesses should not be discounted. Likewise, while national conversations on priority areas are to be encouraged, CSR efforts directed at other causes are equally legitimate. CSR in unconventional, niche areas – amateur dramatics, for example, or animal welfare – can have a greatly enriching effect on a community.

Finally, 'third-generation' CSR, in seeking a greater business role in addressing society's challenges, implies a heightened involvement in matters of policy and governance. Contributions to policy research, to governance and accountability work, and to public interest litigation – even where this is controversial or unpopular – should be accepted as legitimate CSR and should be seen as an expression of corporate citizenship.

ENDNOTES

1 Terence Corrigan is a political and governance consultant and SAIIA Research Fellow.

2 Corrigan T, *Getting Down to Business: Lessons from the African Peer Review Mechanism*, Research Report 17, South African Institute of International Affairs, August 2014.

3 Zadek S, *The Civil Corporation: The New Economy of Corporate Citizenship*. London: Earthscan, 2001.

4 Ford J, 'Engaging the Private Sector in Africa's Peaceful Development', Institute of Security Studies, Policy Brief 55, June 2014.

5 Panel of Eminent Persons, APRM, *Country Review Report of the Republic of Mauritius*, APRM Secretariat, July 2010, p. 258.

6 Panel of Eminent Persons, APRM, *Country Review Report of the United Republic of Tanzania*, APRM Secretariat, January 2013, p. 157.

7 Panel of Eminent Persons, APRM, *Country Review Report of the Republic of Zambia*, APRM Secretariat, January 2013, pp. 202–203.

8 Three-letter currency code for the South African rand.

9 Trialogue, launch of the CSI Handbook 16th edition presentation, December 2013, http://csimatters.co.za/wp-content/uploads/2013/12/CSI-in-SA-16th-edition-launch-2013-12-04.pdf.

10 Jeppeson S, B Kothuis & A Noc Tran, 'Corporate social responsibility and competitiveness for SMEs in developing countries: South Africa and Vietnam', *Focales*, November 2012.

11 Kassen H & TD Juwaheer, *Perspectives on CSR from Mauritius – An emerging economy,* Third International Conference on International Studies (ICIS 2010), 1–2 December 2010, Hotel Istana, Kuala Lumpur.

12 Email from Senior Corporate Governance Practitioner in Tanzania, 22 May 2014.

13 Werther WB & D Chandler, *Strategic Corporate Social Responsibility: Stakeholders in a Global Environment*. Thousand Oaks: Sage Publications, 2011, pp. 20–21.

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